

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: APUB, EG

SUBJECT: PRESS RELEASE ON EXIMBANK CREDIT TO EGYPTIAN RAILWAYS

FOR YOUR INFORMATION ONLY, FOLLOWING IS FINAL TEXT OF EXPORT-IMPORT BANK RELEASE ON THE DIRECT CREDIT OF \$2.7 MILLION TO EGYPTIAN RAILWAYS (ER). RELEASE IS SCHEDULED FOR ANNOUNCEMENT HERE IN WASHINGTON, D.C. FOR AM PAPERS, TUESDAY, JULY 22, 1975.

QUOTE: EXIMBANK AUTHORIZES \$2.7 MILLION CREDIT TO SUPPORT \$6 MILLION SALE OF U.S. RAILROAD EQUIPMENT TO EGYPTIAN RAILWAYS

TO SUPPORT A \$6 MILLION SALE OF U.S. RAILROAD LOCOMOTIVE COMPONENTS AND SPARE PARTS TO EGYPTIAN RAILWAYS (ER), A SEIMI-AUTONOMOUS ENTITY OF THE GOVERNMENT OF EGYPT, THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES HAS AUTHORIZED A DIRECT CREDIT OF \$2.7 MILLION, ACCORDING TO UNCLASSIFIED

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EXIMBANK'S CHAIRMAN WILLIAM J. CASEY.

THE COMPONENTS AND SPARE PARTS ARE NEEDED IN ORDER TO RETURN TO SERVICE ABOUT 50 LOCOMOTIVES AND A NUMBER OF RAILCARS WHICH ARE AT LEAST 10 YEARS OLD BUT ARE NOT INOPERATIVE DUE TO THE NEED OF MAJOR OVERHAULS. ABOUT \$4 MILLION WORTH OF COMPONENTS INCLUDING COMPLETE ENGINES, ALTERNATORS, TRACTION MOTORS, TRANSMISSION, CRANKCASES AND CRANKSHAFTS WILL BE MANUFACTURED AND SHIPPED FROM GM'S LA GRANGE, ILLINOIS PLANT, AND THE BALANCE OF \$2 MILLION FROM SEVERAL DETROIT PLANTS. DELIVERIES ARE EXPECTED TO BEGIN IN OCTOBER 1975 AND BE COMPLETED BY DECEMBER 1976.

THE EXIMBANK CREDIT REPRESENTS 45 PERCENT OF THE TOTAL U.S. SALE. A CREDIT OF \$2.7 MILLION FROM MANUFACTURERS HANOVER TRUST OF NEW YORK WILL COVER ANOTHER 45 PERCENT OF THE TOTAL U.S. COSTS AND THE BORROWER WILL MAKE CASH PAYMENT OF 10 PERCENT, REPRESENTING THE BALANCE OF U.S. COSTS. EXIMBANK'S INTEREST RATE OF 8 PERCENT PER ANNUM, COMBINED WITH THE INTEREST RATE FROM PRIVATE SOURCES AT CURRENT RATES, WILL RESULT IN A BLENDED ANNUAL INTEREST COST TO THE BORROWER OF BETWEEN 9 PERCENT TO 9.25 PERCENT.

THE LOANS ARE TO BE REPAID IN 10 SEMIANNUAL INSTALLMENTS BEGINNING SEPTEMBER 5, 1976. REPAYMENT OF EXIMBANK'S CREDIT IS TO BE GUARANTEED BY CENTRAL BANK OF EGYPT, FOR AND ON BEHALF OF THE ARAB REPUBLIC OF EGYPT. UNQUOTE. INGERSOLL

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